

Message Text

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42

ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-07 AID-05 CEA-01 CIAE-00 CIEP-02

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FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 8662

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E.O. 11652: N/A

TAGS: EFIN VE

SUBJ: FINANCE MINISTER PROJECTS REDUCED PETROLEUM REVENUE

1. MINISTER OF FINANCE HECTOR HURTADO TOLD FEDECAMARAS ASSEMBLY MAY 6 THAT THERE IS A POSSIBILITY OF A DECLINE IN GOVERNMENT REVENUE THIS YEAR OF BS.1.5 BILLION DUE TO REDUCTION IN PETROLEUM PRODUCTION, TAX DEDUCTION FOR PETROLEUM INVESTMENT AND THE DEDUCTION WHICH THE COMPANIES MUST MAKE FOR EMPLOYEE BENEFITS. FURTHER REDUCTION OF PETROLEUM REVENUE IS FORECAST FOR 1976 WHEN PRODUCTION WILL BE REDUCED 400,000 BARRELS PER DAY TO A LEVEL OF 2.2 MILLION B/D.

2. HURTADO EMPHASIZED THAT REDUCED OIL REVENUE WOULD AFFECT VENEZUELAN INVESTMENT FUND ACTIVITIES BUT NOT CURRENT GOVERNMENT OPERATIONS SINCE ANY REDUCTION IN REVENUE FROM THE 1974 BASE RESULTS IN A DECREASE IN THE VIF SHARE OF PETROLEUM REVENUE.

3. DESPITE THE FOREWARNINGS OF A REDUCTION IN VIF INCOME, MINISTER OF STATE FOR THE VENEZUELAN INVESTMENT FUND QUERO MORALES AT THE SAME MEETING ANNOUNCED THAT THE FUND MAY

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INVEST BS. 41.2 BILLION IN SEVERAL GOVERNMENT INDUSTRIAL

PROJECTS THE TOTAL COST OF WHICH IS ESTIMATED TO BE BS.56.9
BILLION. THE NATIONAL STEEL AND ALUMINUM WORKS ARE EXPECTED
TO RECEIVE THE MAJOR PORTION OF THIS INVESTMENT. THE
FUND'S ASSETS NOW AMOUNT TO ABOUT BS. 17 BILLION, MOST OF WHICH
HAS BEEN INVESTED IN LIQUID ASSETS IN AMERICAN AND EUROPEAN
BANKS. THE FUND ALSO HAS MADE SUBSTANTIAL COMMITMENTS FOR
LOANS TO THE VARIOUS INTERNATIONAL LENDING INSTITUTIONS AS
WELL AS TO THE GOVERNMENTS OF CENTRAL AMERICA.
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